

## STATE OF IDAHO **DEPARTMENT OF INSURANCE**

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## BULLETIN NO. 85-4

T0:

ALL INSURANCE COMPANIES WRITING PROPERTY AND CASUALTY

INSURANCE IN IDAHO

FROM:

WAYNE L. SOWARD, DIRECTOR

DEPARTMENT OF INSURANCE

SUBJECT: USE OF A SURETY BOND TO GUARANTEE PERFORMANCE

OF A REINSURANCE AGREEMENT

The Department of Insurance has concluded that the issuance by a licensed property/casualty insurance company of a surety bond by which the insurer guarantees that the reinsurer will perform its obligations under a reinsurance agreement is not a permissable kind of insurance.

Our conclusion is based upon Section 41-507, Idaho Code, which defines and circumscribes surety insurance as follows:

"Surety insurance" includes:...(3) Insurance guaranteeing the performance of contracts, other than insurance policies....".

If is the Department's position that such a surety bond does not constitute "funds", within the meaning of the Idaho Insurance Code, and therefore may not be used to reduce the ceding company's liability for any new or additional recoverables due from an unauthorized insurance company. The Department will permit credit to be taken on financial statements filed with it for recoverables due from an unauthorized insurer which were "funded" by a previously acceptable surety bond issued by an authorized insurer, if such bond was issued or increased prior to June 30, 1985. Such action will permit compliance with the Department's legal position and avoid any disruptions.

> DEPARTMENT OF INSURANCE STATE OF IDAHO

Director